

TOWN OF CLAYTON, LOUISIANA  
ANNUAL FINANCIAL STATEMENTS  
AS OF JUNE 30, 2013  
AND FOR THE YEAR THEN ENDED  
WITH  
INDEPENDENT AUDITOR'S REPORT



**SILAS SIMMONS** LLP  
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS



**TOWN OF CLAYTON, LOUISIANA**

**Annual Financial Statements  
As of and for the Year Ended June 30, 2013  
With Supplemental Information Schedules**

**TABLE OF CONTENTS**

	<b>Statement</b>	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT -----</b>		<b>1-2</b>
<b>SECTION I - REQUIRED SUPPLEMENTAL INFORMATION</b>		
Management's Discussion and Analysis -----		3-5
<b>SECTION II - GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>		
Statement of Net Position-----	A	6
Statement of Activities-----	B	7
<b>SECTION III - FUND FINANCIAL STATEMENTS</b>		
Governmental Funds:		
Balance Sheet-----	C	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position -----	D	9
Statement of Revenues, Expenditures, and Changes in Fund Balance -----	E	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities-----	F	11
Proprietary Funds:		
Statement of Net Position-----	G	12
Statement of Revenues, Expenses, and Changes in Net Position -----	H	13
Statement of Cash Flows-----	I	14
<b>NOTES TO THE FINANCIAL STATEMENTS-----</b>		<b>15-22</b>
<b>SECTION IV - ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule - General Fund -----		23
Budgetary Comparison Schedule - Public Works Fund-----		24
Notes to the Required Supplementary Information -----		25

TOWN OF CLAYTON, LOUISIANA

Annual Financial Statements  
As of and for the Year Ended June 30, 2013  
With Supplemental Information Schedules

TABLE OF CONTENTS

	Statement	Page
SECTION V - OTHER REPORTS		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----		26-27
SECTION VI - SCHEDULE OF FINDINGS		
Schedule of Findings-----		28
Schedule of Prior Audit Findings-----		29-31
Schedule of Current Year Findings, Recommendations, and Corrective Action Plan-----		32-34



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## INDEPENDENT AUDITOR'S REPORT

Honorable Rydell Turner, Mayor  
and Members of the Board of Aldermen  
Town of Clayton, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Louisiana as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Louisiana as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 23 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2014, on our consideration of the Town of Clayton, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

This report is intended for the information of the Mayor, Members of the Board of Aldermen, and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Natchez, Mississippi  
May 5, 2014

**SECTION I**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWN OF CLAYTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

As management of the Town of Clayton, Louisiana, we offer readers of the Town of Clayton, Louisiana's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider the information provided here in conjunction with additional information found within the body of the audit.

### **FINANCIAL HIGHLIGHTS**

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of 2013 and 2012, the Town's net position increased in 2013, which resulted in ending net position of \$3,534,102, and decrease in 2012, which resulted in ending net position of \$3,480,183 at June 30, 2012.

1. The beginning cash balance at June 30, 2011, was \$332,191. The ending cash balance was \$266,602 at June 30, 2012, and \$196,395 at June 30, 2013.
2. The governmental activities had \$396,903 in revenues in 2013, and \$282,277 in 2012. The revenues consisted primarily of grants, sales taxes, property taxes, occupational licenses, franchise taxes, and fines. There were expenditures of \$238,031 in 2013, and \$276,288 in 2012.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town of Clayton's financial statements. The Town's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year.

The government-wide financial statements outline functions of the Town that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 6 - 7 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The basic governmental fund financial statements can be found on pages 8 - 11 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 15 to 22 of this report.



TOWN OF CLAYTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a condensed statement of the Town's net position:

	Governmental Activities	Business-Type Activities	Total	
			2013	2012
Current assets	\$ 226,525	\$ 62,349	\$ 288,874	\$ 299,118
Noncurrent assets	1,021,009	2,320,774	3,341,783	3,279,968
Total assets	<u>\$ 1,247,534</u>	<u>\$ 2,383,123</u>	<u>\$ 3,630,657</u>	<u>\$ 3,579,086</u>
Current liabilities	\$ 26,688	\$ 31,742	\$ 58,430	\$ 63,151
Noncurrent liabilities	-	38,125	38,125	35,752
Total liabilities	<u>\$ 26,688</u>	<u>\$ 69,867</u>	<u>\$ 96,555</u>	<u>\$ 98,903</u>
Net position				
Investment in capital assets, net of related debt	\$ 1,021,009	\$ 2,320,774	\$ 3,341,783	\$ 3,279,968
Restricted	199,348	38,125	237,473	245,967
Unrestricted (deficit)	489	(45,643)	(45,154)	(45,752)
Total net position	<u>\$ 1,220,846</u>	<u>\$ 2,313,256</u>	<u>\$ 3,534,102</u>	<u>\$ 3,480,183</u>

The following is a summary of the statement of activities:

	Governmental Activities	Business-Type Activities	Total	
			2013	2012
Revenues				
Program revenues	\$ 249,682	\$ 265,708	\$ 515,390	\$ 356,817
General revenues	147,221	208	147,429	139,386
Transfers	48,161	(48,161)	-	-
Total revenues and transfers	<u>\$ 445,064</u>	<u>\$ 217,755</u>	<u>\$ 662,819</u>	<u>\$ 496,203</u>
Expenses				
General and administrative	\$ 74,636	\$ -	\$ 74,636	\$ 68,391
Public safety - police	20,799	-	20,799	20,455
Public safety - fire	11,079	-	11,079	10,728
Street and sanitation	131,517	-	131,517	176,714
Utility operations	-	370,869	370,869	360,274
Total expenses	<u>\$ 238,031</u>	<u>\$ 370,869</u>	<u>\$ 608,900</u>	<u>\$ 636,562</u>
Increase (decrease) in net position	\$ 207,033	\$ (153,114)	\$ 53,919	\$ (140,359)
Net position, beginning of year	1,013,813	2,466,370	3,480,183	3,620,542
Net position, end of year	<u>\$ 1,220,846</u>	<u>\$ 2,313,256</u>	<u>\$ 3,534,102</u>	<u>\$ 3,480,183</u>

**TOWN OF CLAYTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**Comments on General Fund Comparisons**

The Town's budget was amended once during the year. The general fund budgeted expenditures were \$89,936 and revenues were budgeted at \$92,445. Actual expenditures were \$151,214 and actual revenues were \$101,920.

The Public Works Fund (Road Tax Fund) had budgeted expenditures of \$153,500 and budgeted revenues of \$60,650. Actual expenditures were \$82,245 and actual revenues were \$68,414.

**CAPITAL ASSETS**

As of June 30, 2013, the Town had \$1,021,009 invested in net capital assets in the general fund and \$2,320,774 in the proprietary fund. This year, there were \$50,089 in additions in the public works fund and \$225,991 in the capital projects fund. The following capital assets were purchased in 2013:

Public works fund:	
Street overlay	\$ 50,089
Capital projects fund:	
Drainage improvements	<u>225,991</u>
Total	<u>\$ 276,080</u>

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Any questions about this report or request for additional information may be directed to Sadie Jones, Town Clerk, 101 Shady Lane, Clayton, LA 71326, (318) 757-8540.

**SECTION II**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

TOWN OF CLAYTON, LOUISIANA  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 22,721	\$ 4,958	\$ 27,679
Receivables, net	-	25,658	25,658
Accrued interest receivable	-	33	33
Due from other governments	29,078	-	29,078
Restricted assets:			
Cash	168,716	31,700	200,416
Receivables - sales tax	6,010	-	6,010
Capital assets - net	<u>1,021,009</u>	<u>2,320,774</u>	<u>3,341,783</u>
Total assets	<u>\$ 1,247,534</u>	<u>\$ 2,383,123</u>	<u>\$ 3,630,657</u>
<b><u>LIABILITIES</u></b>			
Accounts and other payables	\$ 26,688	\$ 31,742	\$ 58,430
Meter deposits	<u>-</u>	<u>38,125</u>	<u>38,125</u>
Total liabilities	<u>\$ 26,688</u>	<u>\$ 69,867</u>	<u>\$ 96,555</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets	\$ 1,021,009	\$ 2,320,774	\$ 3,341,783
Restricted for:			
Roads	199,348	-	199,348
Customer deposits	-	38,125	38,125
Unrestricted (deficit)	<u>489</u>	<u>(45,643)</u>	<u>(45,154)</u>
Total net position	<u>\$ 1,220,846</u>	<u>\$ 2,313,256</u>	<u>\$ 3,534,102</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CLAYTON, LOUISIANA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Activities	Expenses	Program Revenues		Net (Expenses), Revenues, and Changes		Total
		Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities						
General government	\$ 74,636	\$ -	\$ 225,975	\$ 151,339	\$ -	\$ 151,339
Public safety:						
Police	20,799	19,986	-	(813)	-	(813)
Fire	11,079	3,721	-	(7,358)	-	(7,358)
Street and sanitation	131,517	-	-	(131,517)	-	(131,517)
Total governmental activities	<u>\$ 238,031</u>	<u>\$ 23,707</u>	<u>\$ 225,975</u>	<u>\$ 11,651</u>	<u>-</u>	<u>11,651</u>
Business-type activities						
Water and sewer	\$ 370,869	\$ 265,708	\$ -	\$ -	\$ (105,161)	\$ (105,161)
Total	<u>\$ 608,900</u>	<u>\$ 289,415</u>	<u>\$ 225,975</u>	<u>\$ 11,651</u>	<u>\$ (105,161)</u>	<u>\$ (93,510)</u>
General Revenues:						
Taxes						
Property taxes				\$ 6,307	\$ -	\$ 6,307
Sales taxes				122,157	-	122,157
Beer taxes				1,867	-	1,867
Franchise taxes				11,270	-	11,270
Occupational licenses				4,680	-	4,680
Interest income				3	208	211
Miscellaneous				937	-	937
Transfers				48,161	(48,161)	-
Total general revenues and transfers				<u>\$ 195,382</u>	<u>\$ (47,953)</u>	<u>\$ 147,429</u>
Changes in net position				\$ 207,033	\$ (153,114)	\$ 53,919
Net position, July 1, 2012				1,013,813	2,466,370	3,480,183
Net position, June 30, 2013				<u>\$ 1,220,846</u>	<u>\$ 2,313,256</u>	<u>\$ 3,534,102</u>

The accompanying notes are an integral part of this financial statement.

**SECTION III**  
**FUND FINANCIAL STATEMENTS**

TOWN OF CLAYTON, LOUISIANA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013

	Major Funds			Total
	General	Public	Capital	Governmental
	Fund	Works	Projects	Funds
		Fund	Fund	
<b><u>ASSETS</u></b>				
Cash	\$ 22,532	\$ -	\$ 189	\$ 22,721
Cash - restricted	-	168,716	-	168,716
Receivables:				
Sales tax - restricted	-	6,010	-	6,010
Due from/to other funds	-	24,433	(24,433)	-
Due from other governmental units	<u>4,645</u>	<u>-</u>	<u>24,433</u>	<u>29,078</u>
Total assets	<u>\$ 27,177</u>	<u>\$ 199,159</u>	<u>\$ 189</u>	<u>\$ 226,525</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Accounts and other payables	<u>\$ 26,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,688</u>
Fund balances:				
Restricted for roads and capital projects	\$ -	\$ 199,159	\$ 189	\$ 199,348
Unassigned	<u>489</u>	<u>-</u>	<u>-</u>	<u>489</u>
Total fund balance	<u>\$ 489</u>	<u>\$ 199,159</u>	<u>\$ 189</u>	<u>\$ 199,837</u>
Total liabilities and fund balances	<u>\$ 27,177</u>	<u>\$ 199,159</u>	<u>\$ 189</u>	<u>\$ 226,525</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CLAYTON, LOUISIANA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

Fund balances, total governmental funds (Statement C)	\$ 199,837
Total net position reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:	
Land, buildings, and equipment	\$ 1,410,455
Less accumulated depreciation	<u>(389,446)</u> <u>1,021,009</u>
Net position of governmental activities (Statement A)	<u>\$ 1,220,846</u>

The accompanying notes are an integral part of this financial statement.



**TOWN OF CLAYTON, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Major Funds			Total
	General	Public	Capital	Governmental
	Fund	Works	Projects	Funds
		Fund	Fund	
<b><u>REVENUES</u></b>				
Taxes	\$ 72,837	\$ 68,764	\$ -	\$ 141,601
Licenses and permits	4,680	-	-	4,680
Intergovernmental				
Federal grant	-	-	225,975	225,975
Fines and forfeits	19,986	-	-	19,986
Interest income	3	-	-	3
Other	4,658	-	-	4,658
Total revenues	<u>\$ 102,164</u>	<u>\$ 68,764</u>	<u>\$ 225,975</u>	<u>\$ 396,903</u>
<b><u>EXPENDITURES</u></b>				
General government	\$ 50,194	\$ -	\$ -	\$ 50,194
Public safety:				
Police	20,799	-	-	20,799
Fire	826	-	-	826
Street and sanitation	69,375	32,156	-	101,531
Capital outlays	-	50,089	225,991	276,080
Total expenditures	<u>\$ 141,194</u>	<u>\$ 82,245</u>	<u>\$ 225,991</u>	<u>\$ 449,430</u>
Excess (deficiency) of revenues over expenditures	\$ (39,030)	\$ (13,481)	\$ (16)	\$ (52,527)
Other financing sources:				
Transfers-in (out)	<u>(164,479)</u>	<u>212,640</u>	<u>-</u>	<u>48,161</u>
Net changes in fund balances	\$ (203,509)	\$ 199,159	\$ (16)	\$ (4,366)
Fund balances, beginning of year	<u>203,998</u>	<u>-</u>	<u>205</u>	<u>204,203</u>
Fund balances, end of year	<u>\$ 489</u>	<u>\$ 199,159</u>	<u>\$ 189</u>	<u>\$ 199,837</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF CLAYTON, LOUISIANA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in fund balances, total governmental funds, (Statement E)	\$ (4,366)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay which is considered expenditures on statement of revenues, expenditures, and changes in fund balances	276,080
Depreciation expense for the year	<u>(64,681)</u>
Change in net position of governmental activities, (Statement B)	<u>\$ 207,033</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CLAYTON, LOUISIANA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013ASSETS

## Current assets:

Cash and cash equivalents	\$ 4,958
Accounts receivable, net of allowance	25,658
Accrued interest receivable	33
Total current assets	<u>\$ 30,649</u>

## Noncurrent assets:

Restricted assets	
Cash and cash equivalents	\$ 31,700
Capital assets, net of accumulated depreciation	2,320,774
Total noncurrent assets	<u>\$ 2,352,474</u>

Total assets	<u>\$ 2,383,123</u>
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LIABILITIES

## Current liabilities:

Accounts and other payables	\$ 31,742
Total unrestricted current liabilities	<u>\$ 31,742</u>

## Current liabilities payable from restricted assets:

Meter deposits	<u>\$ 38,125</u>
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Total liabilities	<u>\$ 69,867</u>
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NET POSITION

Investment in capital assets, net of related debt	\$ 2,320,774
Restricted for customer deposits	38,125
Unassigned (deficit)	<u>(45,643)</u>
Total net position	<u>\$ 2,313,256</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CLAYTON, LOUISIANA  
PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

Operating revenues:	
Charges for services	\$ <u>265,708</u>
Operating expenses:	
Gas purchases	\$ 19,935
Salaries	78,437
Material and supplies	21,445
Depreciation	149,584
Repairs	13,200
Miscellaneous	555
Truck and tractor expense	2,410
Utilities and telephone	19,303
Office supplies	6,075
Payroll taxes	5,093
Insurance	51,813
Provision for bad debts	3,019
Total operating expenses	\$ <u>370,869</u>
Operating (loss)	\$ <u>(105,161)</u>
Nonoperating revenues	
Interest income	\$ 208
Total nonoperating revenues	\$ <u>208</u>
(Loss) before transfers	\$ <u>(104,953)</u>
Other financing sources:	
Transfers (out)	\$ <u>(48,161)</u>
Total transfers	\$ <u>(48,161)</u>
Change in net position	\$ (153,114)
Net position, beginning	<u>2,466,370</u>
Net position, ending	<u>\$ 2,313,256</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CLAYTON, LOUISIANA  
PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received from customers	\$ 255,692
Cash payments to suppliers for goods and services	(132,296)
Cash payments to employees for services	(78,437)
Net cash provided by operating activities	<u>\$ 44,959</u>
Cash flows from noncapital financing activities:	
Operating transfers (to) other funds	\$ (46,661)
Increase in consumer deposits	2,373
Net cash (used) by noncapital financing activities	<u>\$ (44,288)</u>
Cash flows from investing activities:	
Interest income	<u>\$ 235</u>
Net increase in cash and cash equivalents	\$ 906
Cash and cash equivalents at July 1, 2012	<u>35,752</u>
Cash and cash equivalents at June 30, 2013	<u><u>\$ 36,658</u></u>
Reconciliation of operating (loss) to net cash (used) by operating activities:	
Operating (loss)	\$ (105,161)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation	149,584
Changes in assets and liabilities:	
(Increase) in accounts receivable	(10,016)
Increase in accounts payable	<u>10,552</u>
Net cash provided by operating activities	<u><u>\$ 44,959</u></u>

The accompanying notes are an integral part of this financial statement.

## NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

## **INTRODUCTION**

The Town of Clayton is a municipal corporation governed by an elected mayor.

1. The Town of Clayton, Louisiana was incorporated under provisions of the Lawrason Act as a Town in 1962.
2. The purpose of a municipality is to provide utility services, public safety, (police and fire), streets, sanitation, and general administrative services.
3. The Board of Aldermen consists of five elected members that are paid \$150 per month.
4. The Town of Clayton is located in the northeastern portion of Concordia Parish, Louisiana. Concordia Parish is located in northeastern Louisiana.
5. The population of Clayton is approximately 835.
6. The Town of Clayton has three full time employees and one part time employee.
7. The Town of Clayton has approximately 460 utility customers.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes, set rates or charges, and issue bonded debt.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds.

TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Public Works Fund accounts for sales tax funds for construction and maintaining roads and streets in the Town.

The Capital Projects Fund accounts for construction projects funded by grants.

The Town reports the following major proprietary fund:

The Utility Fund is used to account for the provision of gas and water utilities, as well as sewer services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.



TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*** (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. *Deposits***

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition. State law and the Town's investment policy allow the municipality to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

**D. *Receivables and Revenues***

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and customer's utility receivables are recognized through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

The Town annually levies ad valorem taxes in accordance with state statute for the fiscal year ended June 30. Tax bills are prepared and delivered in October with payment due from the date of receipt to the last day of February. Because of the due dates noted previously, ad valorem taxes are not considered to be available resources of the fiscal year to which they apply and are, therefore, not accrued at the end of the fiscal year.

The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Concordia Parish.

For the year ended June 30, 2013, taxes of 3.51 mills were levied on property with assessed valuations totaling \$1,350,390, after abatements and exemptions, and were dedicated as follows:

General corporate purposes	3.51 mills
Total taxes levied	\$ <u>4,740</u>

TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. *Inventories*

For both governmental and proprietary funds, purchase of various operating supplies are regarded as expenditures or expenses at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. For the year ending June 30, 2013, these amounts were considered to be immaterial.

F. *Restricted Assets*

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources. Restricted assets were applicable to the following at June 30, 2013:

Utility fund:	
Customer deposits	\$ <u>38,125</u>
Governmental fund:	
Capital projects	\$ 189
Road maintenance	<u>199,159</u>
	<u>\$ 199,348</u>
Total	<u>\$ 237,473</u>

G. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
<b>Governmental activities:</b>	
Streets	20 years
Buildings	40 years
Vehicles	5 - 15 years
Machinery and equipment	5 - 15 years

TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. *Capital Assets* (continued)

Description	Estimated Lives
<b>Business-type activities/Enterprise Fund:</b>	
Buildings	25 years
Infrastructure	20 - 50 years
Machinery and equipment	10 - 20 years
Vehicles	5 years

H. *Compensated Absences*

Each full-time employee is credited with one day of vacation leave for each month worked. The employee's vacation leave will begin to accumulate upon finishing a six-month probation period. Employees are allowed five days of sick leave up until his or her first anniversary date arrives. After his or her first anniversary, the employee shall earn sick leave at the rate of ten days per anniversary date. In accordance with GASB Statement No. 16, the Town had no accrued compensated absences as of June 30, 2013.

I. *Long-Term Obligations*

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. *Fund Equity*

Beginning with fiscal year 2011, the Town implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

**TOWN OF CLAYTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Fund Equity (continued)**

- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The Board of Aldermen establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Aldermen through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies.

**K. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The following is a summary of cash and cash equivalents (book balances) at June 30, 2013:

	Governmental Funds	Business Type Funds	Total
Demand deposits	\$ 191,437	\$ 5,766	\$ 197,203
Time deposits	-	30,892	30,892
Total	<u>\$ 191,437</u>	<u>\$ 36,658</u>	<u>\$ 228,095</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

**TOWN OF CLAYTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 2 - CASH AND CASH EQUIVALENTS (continued)**

At June 30, 2013, the primary government has \$239,882 in deposits (collected bank balances). These deposits are secured from risk by \$239,882 of federal deposit insurance.

**NOTE 3 - RECEIVABLES**

The following is a summary of receivables for June 30, 2013:

Class of Receivables	Governmental Activities	Business-Type Activities	Total
Sales taxes	\$ 10,655	\$ -	\$ 10,655
Federal grants	24,433	-	24,433
Interest	-	33	33
Utilities	-	41,658	41,658
Less allowance for bad debts	-	(16,000)	(16,000)
Total	<u>\$ 35,088</u>	<u>\$ 25,691</u>	<u>\$ 60,779</u>

**NOTE 4 - CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended June 30, 2013, is as follows:

	Balance 6/30/2012	Increase	Decrease	Balance 6/30/2013
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 8,425	\$ -	\$ -	\$ 8,425
Capital assets being depreciated				
Buildings	\$ 154,175	\$ -	\$ -	\$ 154,175
Streets	599,713	50,089	-	649,802
Equipment	372,062	225,991	-	598,053
Total capital assets being depreciated	<u>\$ 1,125,950</u>	<u>\$ 276,080</u>	<u>\$ -</u>	<u>\$ 1,402,030</u>
Less accumulated depreciation for:				
Buildings	\$ (44,323)	\$ (3,438)	\$ -	\$ (47,761)
Streets	(140,008)	(32,073)	-	(172,081)
Equipment	(140,434)	(29,170)	-	(169,604)
Total accumulated depreciation	<u>\$ (324,765)</u>	<u>\$ (64,681)</u>	<u>\$ -</u>	<u>\$ (389,446)</u>
Total capital assets being depreciated, net	<u>\$ 801,185</u>	<u>\$ 211,399</u>	<u>\$ -</u>	<u>\$ 1,012,584</u>
Governmental activities capital assets, net	<u>\$ 809,610</u>	<u>\$ 211,399</u>	<u>\$ -</u>	<u>\$ 1,021,009</u>

TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 4 - CAPITAL ASSETS (continued)**

Depreciation expense was charged to governmental activities as follows:

General government	\$ 24,442
Fire	10,253
Streets	29,986
Total	<u>\$ 64,681</u>

	Balance 6/30/2012	Increase	Decrease	Balance 6/30/2013
<u>Business-type activities:</u>				
Capital assets being depreciated				
Equipment	\$ 4,504,506	\$ -	\$ -	\$ 4,504,506
Less accumulated depreciation for:				
Equipment	\$ (2,034,148)	\$ (149,584)	\$ -	\$ (2,183,732)
Total capital assets being depreciated, net	<u>\$ 2,470,358</u>	<u>\$ (149,584)</u>	<u>\$ -</u>	<u>\$ 2,320,774</u>

**NOTE 5 - RETIREMENT COMMITMENTS**

The Town of Clayton employees are all members of the social security system and are members of no other retirement plan. The expense of the social security is reflected in payroll taxes in the various statements of income.

**NOTE 6 - RISK MANAGEMENT**

The Town is exposed to certain risks of losses such as property damage, liability issues, and other potential losses that may occur. The Town minimizes its losses by purchase of commercial insurance. The Town's exposure over the amount of insurance is considered to be immaterial.

**NOTE 7 - COMPENSATION OF THE GOVERNING BOARD**

The Governing Board of the Town of Clayton, Louisiana consists of a Mayor and five Aldermen. For the year ended June 30, 2013, their compensation was as follows:

Rydell Turner, Mayor	\$ 6,350
Shannon Madison	1,800
Lavon Barber	1,800
Leroy Kelly	1,800
Houston Holmes	1,800
Irene Jefferson	1,800
Total	<u>\$ 15,350</u>

**SECTION IV**  
**ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF CLAYTON, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$ 65,200	\$ 64,770	\$ 72,593	\$ 7,823
Licenses and permits	5,000	5,000	4,680	(320)
Fines	16,400	16,975	19,986	3,011
Interest	100	100	3	(97)
Miscellaneous	5,600	5,600	4,658	(942)
Total revenues	<u>\$ 92,300</u>	<u>\$ 92,445</u>	<u>\$ 101,920</u>	<u>\$ 9,475</u>
<b>Expenditures</b>				
General government	\$ 21,024	\$ 17,644	\$ 60,292	\$ (42,648)
Public safety:				
Police	21,400	19,542	20,678	(1,136)
Fire	4,120	4,120	826	3,294
Street and sanitation	54,517	48,630	69,418	(20,788)
Total expenditures	<u>\$ 101,061</u>	<u>\$ 89,936</u>	<u>\$ 151,214</u>	<u>\$ (61,278)</u>
(Deficiency) of revenues over expenditures	\$ (8,761)	\$ 2,509	\$ (49,294)	\$ (51,803)
Other financing sources:				
Operating transfers in	11,000	-	(164,479)	(164,479)
Net changes in fund balances	\$ 2,239	\$ 2,509	\$ (213,773)	\$ (216,282)
Fund balance, beginning	234,203	234,203	234,203	-
Fund balance, ending	<u>\$ 236,442</u>	<u>\$ 236,712</u>	<u>\$ 20,430</u>	<u>\$ (216,282)</u>

See Independent Auditor's Report.



**TOWN OF CLAYTON, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE - PUBLIC WORKS FUND**  
**YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 60,650	\$ 60,650	\$ 68,414	\$ 7,764
Total revenues	\$ 60,650	\$ 60,650	\$ 68,414	\$ 7,764
<b>Expenditures</b>				
General government	\$ 3,500	\$ 3,500	\$ -	\$ 3,500
Street and sanitation	99,911	99,911	32,156	67,755
Capital outlay	50,089	50,089	50,089	-
Total expenditures	\$ 153,500	\$ 153,500	\$ 82,245	\$ 71,255
(Deficiency) of revenues over expenditures	\$ (92,850)	\$ (92,850)	\$ (13,831)	\$ 79,019
Other financing sources:				
Operating transfers in	215,875	215,875	212,640	(3,235)
Net changes in fund balances	\$ 123,025	\$ 123,025	\$ 198,809	\$ 75,784
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ 123,025	\$ 123,025	\$ 198,809	\$ 75,784

See Independent Auditor's Report.

TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2013

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

1. Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, and variances between the final budget and the actual data.

2. Budget Amendments and Revisions

The budget is adopted by the Board of Aldermen. Amendments can be made on the approval of the Board of Aldermen. A budgetary comparison is presented for the general fund consistent with accounting principles generally accepted in the United States of America. There were no nonmajor funds.

3. Budget/GAAP Basis Reconciliation

The differences between the budgetary basis and the GAAP basis are:

- a. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles net change in fund balances on the budgetary basis schedules to the GAAP basis financial statements:

	General Fund	Public Works Fund	Total
Net changes in fund balance – budget basis	\$ (213,773)	\$ 198,809	\$ (14,964)
Increase (decrease)			
Net adjustment for revenue accruals	244	350	594
Net adjustments for expenditure accruals	10,020	-	10,020
Net change in fund balance – GAAP basis	<u>\$ (203,509)</u>	<u>\$ 199,159</u>	<u>\$ (4,350)</u>

SECTION V  
OTHER REPORTS



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Rydell Turner, Mayor  
and Members of the Board of Aldermen  
Town of Clayton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Louisiana as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Clayton, Louisiana's basic financial statements, and have issued our report thereon dated May 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Clayton, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clayton, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Clayton, Louisiana's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, recommendations, and corrective action plan, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings, recommendations, and corrective action plan to be material weaknesses. Those deficiencies are described as 2013-1, 2013-2 and 2013-6.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Clayton, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2013-3, 2013-4, and 2013-5.

The Town of Clayton, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings, recommendations, and corrective action plan. We did not audit the Town of Clayton, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, the Board of Aldermen, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Silas Simmons, LLP".

Natchez, Mississippi  
May 5, 2014

SECTION VI  
SCHEDULE OF FINDINGS

TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

**Section I: Summary of Auditor's Reports**

Financial Statements:

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued on the financial statements:                              | Unqualified |
| 2. Internal control over financial reporting:  |             |
| a. Material weakness(es) identified?   | Yes         |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No          |
| 3. Material noncompliance relating to the financial statements?                              | Yes         |

TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

Reference No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
Section I – Internal Control and Compliance Material to the Financial Statements:				
2012-1	Years ago	<p><b><u>Segregation of Duties</u></b></p> <p>We noted the Town of Clayton does not have adequate segregation of duties in the accounting department. Two people are responsible for collection, posting accounts receivable records, posting the cash receipts journals, posting the cash disbursement journals, posting the general ledgers, preparing deposits, opening bank statements, and preparing bank reconcilements as well as writing and signing checks. In order to increase internal controls, the functions should be separated.</p>	No	No plans.
2012-2	2010	<p><b><u>Utility Cut-off Policy</u></b></p> <p>As of June 30, 2012, the Town of Clayton had 13 out of 563 utility customers receiving utility services in violation of the utility cut-off policy. These customers owed a total of \$3,109. Out of the 13 customers, 1 of them was 120 days past due and 5 of these 13 customers had not made any payments in over 90 days.</p> <p>The utility cut-off policy requires the Town to terminate services to customers who have not paid by the 5<sup>th</sup> day of the month following the month the bills were mailed.</p>	Partially	This finding continues and is reported as Finding 2013-2 in the June 30, 2013, audit.



**TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

Reference No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
Section I – Internal Control and Compliance Material to the Financial Statements (continued):				
2012-3	2011	<p><b><u>Sales Tax Covenants Violations</u></b></p> <p>The Town of Clayton has a 1 ½% sales tax which the proceeds are to be used for construction, hard surfacing, improving, and/or maintaining public roads and streets. Incidental drainage may also be provided with these funds. The sales tax provided \$61,109 in revenues this year.</p> <p>During the year audited, the Town began using these funds for purposes that appear to be in violation of the purposes provided by the sales tax election. A total of \$98,236 was spent primarily for salaries related to cutting grass in ditches. None of the expenditures were for the primary purpose of the tax. The primary purpose is for construction, hard surfacing, improving, and/or maintaining public roads and streets.</p> <p>The amount being spent at the present time for incidentals is far in excess of the revenue received each month. This rate of spending will reduce the funds accumulated over the past few years to \$0 in a short period of time unless this practice stops.</p>	No	This finding continues and is reported as finding 2013-3 in the June 30, 2013, audit.
2012-4	2012	<p><b><u>Controls Over Financial Reporting</u></b></p> <p>The Louisiana Legislative Auditor issued an “Investigative Audit” (LLAAS) on November 7, 2012, detailing “improper personal fuel purchases by the Mayor.” This report suggests Mayor Rydell Turner may have violated State law by using Town funds to purchase fuel for his personal use.</p>	Yes	This finding has been corrected.

TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

Reference No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
Section I – Internal Control and Compliance Material to the Financial Statements (continued):				
2012-5	2012	<p><b><u>Late Filing of Audit Reports</u></b></p> <p>The Town is required to submit an audit of its financial statements to the Louisiana Legislative Auditor within six months of its fiscal year end. This June, 30, 2012, audit was due to be filed by December 31, 2012, however, the audit report was not complete until August, 2013.</p>	No	This finding continues and is reported as finding 2013-4 in the June 30, 2013, audit.

Section II – Internal Control and Compliance Material to Federal Awards:

None

Section III – Management Letter:

None

TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2013

Ref. No.	Description of Finding	Town of Clayton Response	Anticipated Completion Date
Section I – Internal Control and Compliance Material to the Financial Statements:			
2013-1	<p><b><u>Segregation of Duties</u></b> We noted the Town of Clayton does not have adequate segregation of duties in the accounting department. Two people are responsible for collection, posting accounts receivable records, posting the cash receipts journals, posting the cash disbursement journals, posting the general ledgers, preparing deposits, opening bank statements, and preparing bank reconcilements as well as writing and signing checks. In order to increase internal controls, the functions should be separated.</p> <p><b><u>Recommendation</u></b> We recommend the Town attempt to separate duties in order to strengthen internal control.</p>	No action planned.	None.
2013-2	<p><b><u>Utility Cut-off Policy</u></b> As of June 30, 2013, the Town of Clayton had 10 out of 560 utility customers receiving utility services in violation of the utility cut-off policy. These customers owed a total of \$4,303. All 10 customers were 120 days past due.</p> <p>The utility cut-off policy requires the Town to terminate services to customers who have not paid by the 5<sup>th</sup> day of the month following the month the bills were mailed.</p> <p><b><u>Recommendation</u></b> We recommend that the Town comply with its utility cut-off policy in the future and cut off water and gas services to customers who do not pay within the time limit.</p>	Mayor will correct this finding.	6/30/2014

TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2013

Ref. No.	Description of Finding	Town of Clayton Response	Anticipated Completion Date
Section I – Internal Control and Compliance Material to the Financial Statements (continued):			
2013-3	<p><b><u>Sales Tax Covenants Violations</u></b> The Town of Clayton has a 1 ½% sales tax which the proceeds are to be used for construction, hard surfacing, improving, and/or maintaining public roads and streets. Incidental drainage may also be provided with these funds. The sales tax provided \$68,764 in revenue this year.</p> <p>Beginning in 2011, funds were being spent for “cleaning of ditches.” Since this project began, a total of \$208,715 has been spent for this purpose that we believe is probably in violation of the covenants of the sales tax proposition. During the year ended June 30, 2013, these expenditures totaled \$58,604 and as many as 9 people were employed for this purpose at one time.</p> <p>The Town of Clayton’s total land area is only 1.59 square miles.</p> <p><b><u>Recommendation</u></b> We recommend that the Town cease spending dedicated funds for unauthorized purposes immediately.</p>	<p>The Mayor says he is unclear what the restricted covenants are in respect to spending these funds and he plans to continue spending these funds until the ditches are cleaned up or when the funds are exhausted.</p>	No plans.
2013-4	<p><b><u>Late Filing of Audit Reports</u></b> The Town is required to submit an audit of its financial statements to the Louisiana Legislative Auditor within six months of its fiscal year end. This June 30, 2012, audit was due to be filed by December 31, 2012, however, the audit report was not complete until August, 2013.</p> <p><b><u>Recommendation</u></b> We recommend that the Town provide information needed to the auditor in a timely manner to assure that all subsequent audits are filed with the Louisiana Legislative Auditor in a timely manner.</p>	<p>The Mayor and the Board of Aldermen plan to assure that the fiscal year ended June 30, 2013, audit is timely filed with the Louisiana Legislative Auditor.</p>	6/30/14

TOWN OF CLAYTON, LOUISIANA  
SCHEDULE OF CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2013

Ref. No.	Description of Finding	Town of Clayton Response	Anticipated Completion Date
Section I – Internal Control and Compliance Material to the Financial Statements (continued):			
2013-5	<p><b><u>Budget Law Violation</u></b> We noted that the Town had budgeted expenditures of \$89,936 and actual expenditures of \$151,214 in the general fund. This variance was 68% in excess of the budgeted amount. Louisiana Revised Statute 39:1311 requires that expenditures be no more than 5% greater than the budgeted amount.</p> <p><b><u>Recommendation</u></b> We recommend the Town monitor its spending during the year and comply with the Louisiana budget law.</p>	The Mayor and the Board of Aldermen will correct this violation.	6/30/2014
2013-6	<p><b><u>Cell Phone Usage</u></b> The Town is paying the cell phone bill of a phone that is in the name of an employee. There is no documentation explaining the business purpose of the charges that are being paid by the Town.</p> <p><b><u>Recommendation</u></b> We recommend that all cell phone charges that are paid for by the Town be documented as to what Town business these charges pertain to. Also the cell phone should be changed so that it is in the name of the Town of Clayton and not in an employee's name.</p>	The Mayor said that he will have the cell phone disconnected as soon as possible.	6/30/2014
Section II – Internal Control and Compliance Material to Federal Awards:			
None		N/A	N/A
Section III – Management Letter:			
None		N/A	N/A